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The Director  
Board for Actuarial Standards  
Aldwych House  
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London WC2B 4HN

Our Ref: JM/JB/4.1

February 27<sup>th</sup> 2009

Dear Sir,

**BOARD FOR ACTUARIAL STANDARDS CONSULTATION PAPER: MODELLING**

We have a few additional comments on the above consultation paper, on which we wrote to you on February 24<sup>th</sup> 2009.

While the consultation paper certainly pays regard to the principles of proportionality and materiality, it would have been reassuring to have seen more explicit reference to the need to avoid generating costs, in developing the proposed standard, out of proportion to any benefits which might arise. It is, in our view, essential that BAS keeps the costs implications directly in mind as it develops the standard.

On the definition of materiality, which is proposed in paragraph 3.5, we stated in our earlier letter that we have no comment. On further consideration, we have some concern that, as drafted, the definition would leave it open to end users of a model to possibly unreasonably claim that an omission, which an actuary had quite reasonably made from a report, on the basis that it was not material, was, in fact, material in their specific case. We are not suggesting that the actuary should be able to decide arbitrarily what is material and what is not, but we are somewhat concerned that the wording as it stands could leave it to a client to "move the goalposts" on materiality after the event.

Finally, in the section of the draft concerned with irrelevance and parsimony, we think that the proposal in paragraph 4.12 could be difficult to comply with in practice.

Yours sincerely

John Mortimer  
Secretary

The Society of Pension Consultants

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